BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION

Financial Statements, Supplementary Information and Other Information for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Reports

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
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Years Ended December 31, 2014 and 2013

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Buffalo
Erie Niagara Land Improvement Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation") which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Corporation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Corporation Investments and Real Property Listing, as required under New York State Public Authority Law, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Corporation Investments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Corporation Investments is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Real Property Listing has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Drescher & Malecki LLP

March 18, 2015

FINANCIAL STATEMENTS

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 714,401	$ 85,243
Accounts receivable	-	10,000
Noncurrent assets:		
Assets held for sale	223,258	-
Total assets	$ 937,659	$ 95,243
LIABILITIES AND NET ASSETS		
Liabilities:		
Operating accounts payable	$ 16,736	$ -
Demolition accounts payable	492,661	-
Other liabilities to municipalities	102,171	-
Unearned revenue	105,387	-
Accrued liabilities	29	-
Total liabilities	716,984	-
Net assets:		
Unrestricted	217,731	-
Temporarily restricted	2,944	95,243
Total net assets	220,675	95,243
Total liabilities and net assets	$ 937,659	$ 95,243

The notes to the financial statements are an integral part of this statement.

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grant revenue	$ 1,111,135	$ -	$ 1,111,135
Donation revenue	97,900	15,000	112,900
Property sales	6,311	-	6,311
Miscellaneous revenue	790	-	790
Interest income	212	-	212
Total revenues	1,216,348	15,000	1,231,348
Net assets released from restrictions			
Expiration of purpose restrictions	107,299	(107,299)	-
Total revenues and other support	1,323,647	(92,299)	1,231,348
Expenses:			
Salary expenses	93,559	-	93,559
Retirement contributions	6,563	-	6,563
Professional services	10,261	-	10,261
Office expenses	260	-	260
Other expenses	2,832	-	2,832
Demolition charges	992,441	-	992,441
Total expenses	1,105,916	-	1,105,916
Change in net assets	217,731	(92,299)	125,432
Total net assets—beginning	-	95,243	95,243
Total net assets—ending	$ 217,731	$ 2,944	$ 220,675

The notes to the financial statements are an integral part of this statement.

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statement of Activities
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grant revenue	$ -	$ 100,000	$ 100,000
Interest income	-	40	40
Total revenues	-	100,040	100,040
Net assets released from restrictions			
Expiration of purpose restrictions	4,797	(4,797)	-
Total revenues and other support	4,797	95,243	100,040
Expenses:			
Other expenses	4,797	-	4,797
Total expenses	4,797	-	4,797
Change in net assets	-	95,243	95,243
Total net assets—beginning	-	-	-
Total net assets—ending	$ -	$ 95,243	$ 95,243

The notes to the financial statements are an integral part of this statement.

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 125,432	$ 95,243
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Decrease (increase) in accounts receivable	10,000	(10,000)
(Increase) in assets held for sale	(223,258)	-
Increase in operating accounts payable	16,736	-
Increase in demolition accounts payable	492,661	-
Increase in other liabilities to municipalities	102,171	-
Increase in unearned revenue	105,387	-
Increase in accrued liabilities	29	-
Net Cash (used in) provided by operating activities	629,158	85,243
Change in cash	629,158	85,243
Cash and cash equivalents—beginning	85,243	-
Cash and cash equivalents—ending	$ 714,401	$ 85,243

The notes to the financial statements are an integral part of this statement

1. DESCRIPTION OF THE ORGANIZATION

The Buffalo Erie Niagara Land Improvement Corporation ("the Corporation") was organized on June 6, 2012 pursuant to Article 16 of the Not-for-Profit Corporation Law of the State of New York. The Corporation was formed through a joint venture of the County of Erie and Cities of Buffalo, Lackawanna, and Tonawanda. The Corporation was created to confront and alleviate the problems distressed properties cause to communities by supporting municipal and regional revitalization efforts and strategically acquiring, improving, assembling, and selling distressed, vacant, abandoned, and/or tax-delinquent properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America ("GAAP") for not for profit organizations. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

Use of estimates—The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets—The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted net assets—Resources available to support the mission of the Corporation.

Temporarily restricted net assets—The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Corporation released $107,299 and $4,794 from restrictions for eligible expenses at December 31, 2014 and 2013, respectively.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, cash on deposit with financial institutions and other highly liquid investments with maturities at the date of purchase of three months or less and are carried at cost which approximates fair value.

Assets Held for Sale—Properties acquired by the Corporation for sale are recorded at the lower of cost or fair market value. Capital improvements made to properties held for sale are recorded at cost.

Demolition Accounts Payable—Represent amounts approved for demolition charges incurred by other municipalities to be reimbursed by the Corporation that have not been paid as of December 31, 2014.

Other Liabilities to Municipalities—Represents amounts due to municipalities for certain estimated back taxes and fees on acquired property held for sale, which are expected to be paid to the appropriate municipalities upon sale of property.

Grant Revenue—Revenue from grants are recognized as earned, that is, as the related costs are incurred under the grant agreements. Amounts received in advance are reported as unearned revenue. The Corporation reported unearned revenues of $105,387 and $0 at December 31, 2014 and 2013, respectively.

Donation Revenue—Revenue from donated assets are recorded at the fair market value of the asset and revenue from cash donations are recorded as the amount received. The Corporation had $112,900 and $0 from donation revenue at December 31, 2014 and 2013, respectively.

Demolition Charges—Expenses incurred by municipalities for demolition services performed are submitted to the Corporation for reimbursement. Upon their approval, subject to grant restrictions, they are recorded as demolition charges by the Corporation. The Corporation has incurred $992,441 and $0 of demolition charges at December 31, 2014 and 2013, respectively.

Tax Status—The organization is incorporated exempt from federal income taxation under 501(c)(3) of the Internal Revenue Code ("IRC"), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2013. The tax years ending December 31, 2014 and 2013 are still open to audit for federal purposes.

3. CONTINGENCIES

In the normal course of operations, the Corporation receives grant funds from State and other agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenses resulting from such audits could become a liability to the Corporation. While the amount of any expense that may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 18, 2015, which is the date the financial statements are available for issuance, and have determined, there are no subsequent events that require disclosure under generally accepted accounting principles.

SUPPLEMENTAL INFORMATION

Presented as supplemental information is certain information as required to be reported under New York State Public Authority Law.

Buffalo Erie Niagara Land Improvement Corporation
Schedule of Corporation Investments
Year Ended December 31, 2014

Annual Investment Report - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, € the investment income record of the corporation, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report.

a. Investment guidelines—The Corporation's investment policies are governed by State statutes. All investments are maintained in bank deposit accounts which are federally insured. The Corporation's deposits are held at quality institutions.

b. Amendments to guidelines—None

c. Explanation of guidelines and investments—These guidelines restrict investment of the Corporation's funds to deposits in federally insured banks. The Corporation has not made any amendments to its investment policy.

d. Results of the annual independent audit—The independent auditors have issued an unmodified opinion on the Corporation's financial statements for the year ended December 31, 2014.

e. Investment income record—Investment income for the year ended December 31, 2014 consisted of:

	Interest Earned
Interest earned on cash and cash equivalents	$ 212

f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report—No such fees or commissions were paid during the year ended December 31, 2014.

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Buffalo Erie Niagara Land Improvement Corporation
Real Property Listing
Year Ended December 31, 2014

1. **Real Property List** – §2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At December 31, 2014, the Corporation owned the following real property.

Date Acquired	Section/Block/Lot Identification	Property Location and Description	Recorded Value
12/1/2014	080.11-5-26	235 W. Royal Parkway - 10,950 SqFt	$ 37,646
12/1/2014	243.03-2-06	8820 State Road - 26,136 SqFt	762
12/1/2014	064.12-3-16	100 Sawyer Avenue - 6,839 SqFt	3,546
12/1/2014	335.15-5-18	53 W. Main Street - 14,014 SqFt	4,819
9/2/2014	038.74-6-03	585 Morgan Street - 6,600 Sqft	8,956
9/2/2014	038.84-4-06	272 Kohler Street - 3,960 SqFt	3,356
9/2/2014	038.67-7-05	465 Broad Street - 4,400 SqFt	3,706
10/1/2014	142.15-4-31	1745 Abbott Road - 12,750 SqFt	13,312
12/1/2014	052.83-1-19	3-7 Lardner Court - 7,659 SqFt	4,171
12/1/2014	052.83-1-15	28 Browning Avenue - 3,453 SqFt	2,296
12/1/2014	052.83-3-02	58-64 Burnett Place - 5,824 SqFt	4,296
12/1/2014	052.83-1-14	32 Browning Avenue - 3,468 SqFt	2,296
12/1/2014	065.34-2-02	20-26 Whitter Place - 6,440 SqFt	4,296
12/1/2014	067.81-1-37	257 Callodine Avenue - 5,264 SqFt	10,880
12/1/2014	112.27-1-70	290 Atlantic Avenue - 5,310 SqFt	1,301
10/1/2014	113.16-1-02	3048 William Street - 55,835 SqFt	4,091
10/1/2013	065.28-1-02	45-55 Pyle Court - 9,650 SqFt	3,094
10/18/2014	065.26-2-01	79 Ellen Drive - 5,700 SqFt	110,434
		Total	$ 223,258

2. **Real Property Acquisitions/Dispositions** – During the year ended December 31, 2014, the Corporation acquired 18 real properties and disposed of 1 real property.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the Buffalo
Erie Niagara Land Improvement Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation"), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2014-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corporation's Response to Findings

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

March 18, 2015

We consider the deficiency presented below to be a significant deficiency in internal control.

Finding 2014-001—Journal Entries

Criteria—All journal entries recorded throughout the year should reviewed by an individual independent of the journal entry process.

Condition and Context—During our audit, we found that certain journal entries lacked evidence of an independent review.

Cause—The Corporation lacks a formalized journal entry policy.

Effect—The absence of a formal journal entry policy requiring the review of journal entries increases the likelihood that assets could be misappropriated and/or a misstatement could occur on the Corporation's financial statements.

Recommendation—We recommend that the Corporation implement a formalized journal entry policy that requires an individual appropriately review journal entries.

Management's Response—The Corporation intends to formalize its journal entry process.

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